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MEMORANDUM

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TO: Chairman Mike Gleason  
William A. Mundell, Commissioner  
Jeff Hatch-Miller, Commissioner  
Kristin K. Mayes, Commissioner  
Gary Pierce, Commissioner


AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

JUL -3 2007

FROM: Ernest G. Johnson  
 Director  
Utilities Division

DOCKETED BY	
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DATE: July 2, 2007

RE: IN THE MATTER OF THE APPLICATION OF NACO WATER COMPANY, LLC  
FOR A RATE INCREASE (DOCKET NO. W-02860A-06-0002) AND IN THE  
MATTER OF THE APPLICATION OF NACO WATER COMPANY, LLC FOR  
APPROVAL OF FINANCING (DOCKET NO. W-02860A-05-0727) – TO AMEND  
DECISION NO. 69393

The Utilities Division Staff ("Staff") of the Arizona Corporation Commission ("Commission") has recently been informed by the Water Infrastructure Finance Authority of Arizona ("WIFA") that it would like to designate Naco Water Company, LLC ("Naco") as a Disadvantaged Community (based on WIFA Policy No. 1.012) as part of WIFA's loan approval to Naco. This designation would allow WIFA to extend the term of the loan from 20 to 30 years and also allow WIFA to lower the interest rate of the loan, thereby resulting in lower debt payments.

In Decision No. 69393, the Commission authorized Naco to enter into a loan agreement with WIFA, but limited the term of the loan to 20 years. In order for Naco to accept a 30 year loan from WIFA, Decision No. 69393 would have to be amended.

Arizona Revised Statute § 40-252 authorizes the Commission to amend a previous decision under notice to the affected corporation and the opportunity to be heard. Staff has notified Naco and Naco has indicated that it will waive an evidentiary hearing and request that this matter be placed on the Open Meeting agenda as soon as possible.

Staff believes that having WIFA designate Naco as a Disadvantaged Community in order to lower debt payments by having a 30 year loan with a lower interest rate would not only be beneficial to Naco but also its customers. Therefore, Staff recommends that Decision No. 69393 be amended as follows:

Page 18, Line 14 –

Delete “20” and Replace with “up to 30”

This would result in the pertinent ordering paragraph reading as follows:

“IT IS FURTHER ORDERED that Naco Water Company, LLC is authorized to borrow up to \$1,160,000 from the Water Infrastructure Finance Authority for a term of up to 30 years, at the interest rate approved by WIFA.”

A Proposed Order is attached to this Memorandum for your consideration.

EGJ:SMO:lmh

cc: Kenneth Rozen  
Adam Stafford  
Dean Miller  
Matt Derr  
John LeSueur  
Brian C. McNeil, Executive Director  
Christopher C. Kempley, Chief Legal Counsel  
Bonnie L. O'Connor, Naco Water Company, LLC  
Docket Control Center

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 MIKE GLEASON

Chairman

3 WILLIAM A. MUNDELL

Commissioner

4 JEFF HATCH-MILLER

Commissioner

5 KRISTIN K. MAYES

Commissioner

6 GARY PIERCE

Commissioner

7  
8 IN THE MATTER OF THE APPLICATION  
9 OF NACO WATER COMPANY, LLC FOR  
A RATE INCREASE

DOCKET NO. W-02860A-06-0002

10 IN THE MATTER OF THE APPLICATION  
11 OF NACO WATER COMPANY, LLC FOR  
12 APPROVAL OF FINANCING

DOCKET NO. W-02860A-05-0727

DECISION NO. \_\_\_\_\_

ORDER

13  
14  
15 Open Meeting  
16 July 24 and 25, 2007  
Phoenix, Arizona

17 BY THE COMMISSION:

18 FINDINGS OF FACT

19 1. In Decision No. 69393, dated March 22, 2007, the Arizona Corporation  
20 Commission ("Commission") authorized Naco Water Company, LLC ("Naco") to enter into a loan  
21 agreement with Water Infrastructure Finance Authority ("WIFA"). The Decision limited the term  
22 of the loan to 20 years.

23 2. The Utilities Division Staff ("Staff") of the Commission has recently been informed  
24 by WIFA that it would like to designate Naco as a Disadvantaged Community (based on WIFA  
25 Policy No. 1.012) as part of WIFA's loan approval to Naco. This designation would allow WIFA  
26 to extend the term of the loan from 20 to 30 years and also allow WIFA to lower the interest rate  
27 of the loan, thereby resulting in lower debt payments.

28 ...

1           3.     In order for Naco to accept a 30 year loan from WIFA, Decision No. 69393 would  
2 have to be amended.

3           4.     Arizona Revised Statute ("A.R.S.") § 40-252 authorizes the Commission to amend  
4 a previous decision under notice to the affected corporation and the opportunity to be heard. Staff  
5 has notified Naco and Naco has indicated that it will waive an evidentiary hearing. In addition,  
6 Naco requests that this matter be placed on an Open Meeting agenda as soon as possible.

7           5.     Staff believes that having WIFA designate Naco as a Disadvantaged Community in  
8 order to lower debt payments by having a 30 year loan with a lower interest rate would not only be  
9 beneficial to Naco but also its customers.

10          6.     Staff recommends that Decision No. 69393 be amended as follows:

11                 Page 18, Line 14 –

12                         Delete "20" and Replace with "up to 30"

13                 This would result in the pertinent ordering paragraph reading as follows:

14                         "IT IS FURTHER ORDERED that Naco Water Company, LLC is  
15 authorized to borrow up to \$1,160,000 from the Water Infrastructure  
16 Finance Authority for a term of up to 30 years, at the interest rate approved  
by WIFA."

17                                 CONCLUSIONS OF LAW

18           1.     Naco Water Company, LLC is a public service corporation pursuant to Article XV  
19 of the Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

20           2.     The Commission has jurisdiction over Naco Water Company, LLC and the subject  
21 matter of the application.

22           3.     Staff's recommendations, as set forth in Finding of Fact No. 6 are reasonable and  
23 should be adopted.

24                                 ORDER

25           IT IS THEREFORE ORDERED that Decision No. 69393 be and hereby is amended as set  
26 forth in Finding of Fact No. 6.

27     ...

28     ...

IT IS FURTHER ORDERED that Naco Water Company, LLC is authorized to borrow up to \$1,160,000 from the Water Infrastructure Finance Authority ("WIFA") for a term of up to 30 years at the interest rate approved by WIFA.

IT IS FURTHER ORDERED that this Decision shall be effective immediately.

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2007.

\_\_\_\_\_  
BRIAN C. McNEIL  
Executive Director

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

EGJ:SMO:lh\RM

1 SERVICE LIST FOR: Naco Water Company, LLC  
2 DOCKET NOS. W-02860A-06-0002 and W-02860A-05-0727

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4 Naco Water Company, LLC  
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9 Arizona Corporation Commission  
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11 Phoenix, Arizona 85007

12 Mr. Christopher C. Kempley  
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